97-84039-26

Barnett, Maurice

A plea for profit sharing

[New York?]

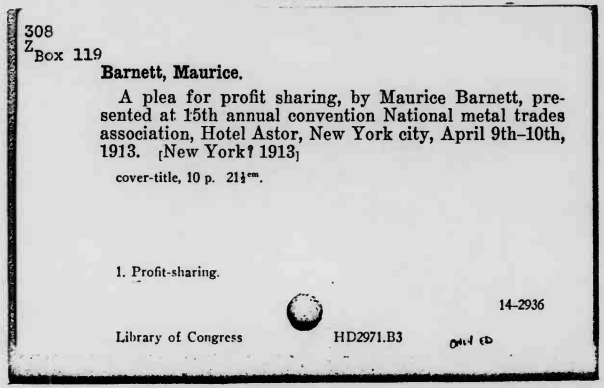
[1913]

97-84039-26
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD


308
Z Box 119
Barnett, Maurice.
A plea for profit sharing, by Maurice Barnett, presented at 15th annual convention National metal trades association, Hotel Astor, New York city, April 9th–10th, 1913. [New York? 1913]
cover-title, 10 p. 21½cm.
1. Profit-sharing.
14-2936
Library of Congress HD2971.B3

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 3-5-97 INITIALS: PB

TRACKING # : 22478

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

A Plea for Profit Sharing

By

MAURICE BARNETT

Presented at 15th Annual Convention
National Metal Trades Association

HOTEL ASTOR, NEW YORK CITY
APRIL 9th-10th, 1913

308
I
Box 119

A PLEA FOR PROFIT SHARING.

By Maurice Barnett.

The discussion of the wage system always recalls the story of the man and the clock. The man was moving his household goods which included a very large clock. He was struggling down the street with the clock on his back when a drunken man saw him. The drunken man looked at him in amazement and then called out: "Zhay, my fren', why don't you carry—a watch?"

Now we are all, figuratively speaking, carrying clocks when we might be carrying watches. But of all the clocks that we are carrying the most burdensome is, probably, the factory "Time Clock" which is the symbol of the wage system. I venture to say that this system, which views labor as if it were a commodity, has been a greater bar to human progress than any other system ever devised by man. It has not only retarded human progress but it has caused untold suffering, taken countless lives and inflicted on posterity burdens that a century of earnest effort will not lift. It might be said that the wage system, particularly the factory wage system, has dulled the sympathies, numbed the sense of fairness and deadened the conscience of the whole world.

In speaking thus of the wage system I do not refer to the wage feature (because in almost any system of compensation wages, or the equivalent, will probably be paid) but to the way the system works out in practice. The human side seems to be lost sight of. We engage labor at the lowest rate at which it can be obtained, usually taking advantage of its necessities. When we have delivered the pay envelope we act as if our full duty had been done. When we have too many

hands we lay the excess off without thought of the hardships that may be entailed. Even in good times the wages we pay are only a small part of the values produced by the workers; the balance we appropriate. That is the essence of our wage system. It is not fair; it is not just; it is not even humane.

If we had no inventiveness, no resourcefulness, our adherence to the wage system could be understood. But is it not humiliating to reflect that tho' credited with wonderful advances in science, art and industry we have made no progress in methods of compensating labor? In mechanical undertakings there is nothing we stop at. We harness our waterfalls and deliver their energy hundreds of miles from the penstocks. We irrigate our deserts, converting them into orchards and flower gardens. We bridge (or tunnel under) our rivers. We are about to connect two oceans. We build sky-scrapers, ocean palaces, submarine boats and flying machines. But when it comes to improving on the wage system man has seemed indifferent, with the result that the system has come down to us practically unchanged since the free laborer first appeared in Europe.

During November Commissioner Wuest sent to our members a bulletin on "Modern Methods of Paying Labor," in which he stated that:

> "If the United States is to continue to advance as an industrial nation, some plan must be devised and adopted whereby employes may share beyond the extent of their daily wage in the profits of the concerns by which they are employed."

He called attention to Premium and Profit Sharing Systems and expressed the belief that the results already attained were only an earnest of what might be accomplished when these systems had been further worked out and perfected.

By the Premium System is understood a method of paying labor whereby employes may receive over and above their daily wages an additional sum based on their ability to turn out more work than would be required on the straight day basis. This system enables the workers to increase their pay in proportion to their skill and diligence. It enables the manager to increase output without increase of overhead expenses; to pay increased wages without adding to the cost of production; to shorten the working day without cutting wages and to adopt an equitable payroll. The secret of it is the bonus for efficiency, which produces a more skilful set of workmen. But though helpful to employer and employe the Premium System has not strengthened the bond between them, probably because it does not go to the root of the trouble—the injustice of the Wage System. It cannot, therefore, be regarded as the solution of the labor question.

By Profit Sharing is understood the plan whereby employes receive, in addition to their daily wages, a share of the net profits of their employers. As usually carried out a reservation is made out of the profits of the year with which to pay interest at some fixed rate on capital, the balance of profits being distributed between owner and employes at a rate previously agreed on. The distribution to employes is on the basis, frequently, of a certain percentage of their annual wages.

Profit Sharing is based on ethical considerations. It is Capital's recognition of Labor's claim for justice. It concedes for the first time the principle that as Labor is necessary to Capital in the conduct of the Industries it should share with Capital in the profits of the Industries. But it is more than a concession; it is a voluntary offering. He who makes it grants himself a Patent of Nobility, nobility of heart and mind.

Profit Sharing stands for a new idea, the idea of community of interest. It is not exactly co-operation but it is a step in that direction. It is a partnership

with the articles of co-partnership left out. The principle, however, is there and only awaits the men who are broad enough and advanced enough to make it a reality.

Different from the Premium System, Profit Sharing goes right to the source of the injustice of the wage system. It would identify the employe with the industry. It would take him, to a large extent, out of the reach of the inexorable law of supply and demand. It would give him a fair share of the values he produces. If he were sick or were laid off without cause he would not lose the benefit of his previous employment, for there would still be paid to him his proportion of the profits of the business. There would even be a competency for old age.

Think what all this would mean to Labor! The end of industrial serfage, the advent of opportunity! It would mean healthy homes, healthy offspring, the end of child labor! It would mean education, self-improvement, social emancipation, the dawn of a new life! But it would mean even more to us. It would mean the conservation of the best elements of our citizenship and it would mean the end of the charge that for centuries has been made against Capital, that out of the toil of the laboring classes the rich and the affluent hold their state.

The opposition to profit sharing plans comes from those who hold that as Labor does not share in the risks and losses of business it should not share in the profits. The answer to this is that Profit Sharing is an industrial, not a commercial partnership. The risks and losses of business are the chances that Capital takes just as the risk of injury and the loss of employment are the chances that Labor takes. Of the two, Labor takes, by far, the greater chances. How many men have gone strong and sound into our mills and factories only to come out shattered in health or maimed? How many men have served us steadfastly,

only to be laid off when business grew dull? With the present high cost of living I do not see how they get along. When they are long out of work their lives must be a veritable Hell of misery and despair. When we see these men laid off, largely because our industries lack the necessary co-ordination; when we know that they are enduring want of every kind—of medical attention, of sanitary surroundings, of clothing and sometimes of food, can any of us say that these men do not take the greater chances? Capital may go without its interest but Labor goes without its pay! Because Labor is exposed at all times to the occupational hazard and in bad times to the blight of irregular employment it would seem only fair to let it share, in good times, in the distribution of profits.

Opposition to Profit Sharing also comes from those who do not wish to see Labor improve its condition lest there be a deficiency of hands to do the manual work. Without speaking of the selfishness of such a view, it is not true that men must be kept down for this purpose. The time will come when there will be no stigma on labor and when all men will be ready to do what is required of them for a proper compensation

It is fortunate for Labor and for the world that such views, while they may retard, cannot arrest our progress. In the end right views must prevail. The proper view of our obligations to the working classes will be taken when profit sharing shall be inaugurated as a measure of justice; when it shall be granted not as a favor *but as a right.*

Originally, profit sharing was adopted with a view to ameliorating the condition of the working people; but it soon became clear that employers were benefited equally with the men. Employes stayed longer in one position. The longer service brought increased efficiency. Increased efficiency meant greater output. Community of interest led employes to take greater care of the owner's property and to reduce waste. A

very noticeable development was the reduction of labor troubles.

This is not theory. Mr. R. T. Crane, of the Crane Co., and Mr. N. O. Nelson, of the N. O. Nelson Mfg. Co., have advocated profit sharing before our Association on the ground of ethics and from the viewpoint of business. Mr. N. O. Nelson in particular has achieved a wonderful success with his plan. He has given us, as someone has said, an example that is worth a thousand arguments. His name should be written in letters of pure gold.

Listen to what some others have said on the subject of Profit Sharing:

The Columbus Railway and Light Company state:

> " For the past eight or ten years, in addition to the scheduled rate of wages paid conductors and motormen, the company has made the following concession to all of its employes, which plan (dividends are paid to employes at same rate that dividends are paid to stockholders of the company on its various issues of stock) has without question worked to the mutual advantage of both the employes and the company."

The Solvay Process Co., report:

> * * * " We have for the past three years used a further method of participation in profits which we have applied to the employes. * * *
>
> " This plan we call our Bonus Plan, and it has certainly resulted to the very great satisfaction of the management and of the men. You will notice that we practically put a premium on the length of service, and we have succeeded in retaining the services of many men for a very long time. We believe that it is to our great advantage to do so, since the knowledge and experience gained by these men have actually increased their value to the company, and to dispense with them would mean that we would be obliged to expend considerable sums in training green men to replace them." * * *

The Treasurer of the Bourne Mills, at Fall River, Mass., wrote me:

> * * * " We started our Profit Sharing System in 1889 as an experiment and it has, with the exception of one period during 1904, been continued ever since. * * *
>
> * * * " We do not claim that the plan eliminates labor troubles, but it tends to keep our employes with us for longer periods than would otherwise be the case." * * *

The Procter and Gamble Company report:

> * * * " In the year 1903, a plan for profit sharing dividends through stock ownership was adopted which, with slight modifications, is in force at the present time and may be considered, so far as this business is concerned, an unqualified success." * * *

The Baker Mfg. Co., of Evansville, Wis., wrote:

> * * * " We believe that our profit sharing has done considerable good. We know nothing of strikes or unions, although we have never exerted any effort to keep our men out of the unions."
>
> * * * * * *

There is no need for additional examples; the results are conclusive as to the benefits derivable from Profit Sharing.

But someone may say that there have been many failures. Of course there have been failures. But where in the march of human progress have not setbacks been encountered? Some failures resulted from too short a trial; others from change of management; still others from industrial depression. The system did not always appeal to the workmen. They were made to forfeit certain advantages if they left the service of the company. If they became stockholders, they were frequently stockholders in name only. There were often restrictions on Labor's right to organize.

Some plans were so unattractive as to foredoom them to failure.

But we must not dwell on the failures. We should profit by them but draw our lessons from the successes. The failures were mostly of detail. When profit sharing plans are drawn along the lines of real co-partnership between Capital and Labor and come into general adoption, as they some day will, there will be ushered in an era of industrial activity, free from labor disturbances, such as the world has never known.

It being obvious that immense benefits are obtainable, by enlightened action on the Wage Question, what shall we do? Shall we perpetuate the wage system with all it stands for, or shall we adopt the course that leads to labor emancipation and industrial peace?

A survey of the industrial situation is not reassuring. The Unions show increasing solidarity; there is labor unrest everywhere. From time to time it has been noted in the press that the attitude of the working classes is threatening. There have been some who see in conditions now a similarity to those that preceded the French Revolution. There is probably no ground for apprehension. On the other hand, we know that as long as we adhere to the present wage system we must look forward to a dreary succession of strikes, lockouts and labor troubles until by the slow process of evolution certain necessary readjustments have been brought about. Would it not be better to recognize our responsibilities and by an act of justice pave the way for harmonious co-operation between employer and employe?

It was only two months ago that the proposed strike of the firemen on 54 Eastern railroads threatened to bring about conditions corresponding to a siege. A year ago it was the Locomotive Engineers on 52 Eastern railroads. Prior to the agreement to arbitrate 93% of the Engineers and 94% of the Firemen (as I recall it) had declared for a strike. In the case

of the Engineers, such a strike would have paralyzed all the railroads East of Chicago and North of the Norfolk & Western system. The seriousness of the situation was not exaggerated. It was known that the food supply of the large cities of the East would have been exhausted within a week; the milk supply would not have lasted one day. In their report the arbitrators stated that such a strike would have meant "great loss of life, unspeakable suffering, and loss of property beyond the power of description." If a strike of locomotive engineers can precipitate such a situation what would happen if Labor, amalgamated by some genius for organization and fired by the spirit of class hatred, should declare the General Strike? Would it not be the part of wisdom to change our industrial methods so that the spirit of discontent may be quelled and the forces which are threatening society be brought to its support?

But it is not on the ground of expediency that the plea is made for a just distribution of the profits of industry between Capital and Labor, but on the ground of our social obligations. The Golden Rule has rarely been observed in our industrial life. Yet, if we would advance as a nation we must give thought to those questions which are intimately bound up with our industrial development and with the well-being of the Nation.

I believe that to make real progress we should abandon the old belief that labor, like commodities, must be governed by the law of supply and demand. The price of commodities will, in the absence of artificial restrictions, be so governed; but a different rule should be applied to Labor. Labor is human. It has in it the elements which make for good or indifferent citizenship. If by an unfair and inadequate wage system we prevent the proper physical, mental and moral development of our work-people, we are depriving the Nation of the sources of its strength and perpetuating

conditions that may result in anarchy, syndicalism or social revolution.

Profit Sharing, particularly when combined with labor co-partnership, points the way to a state of industrial development alongside of which our present methods will seem wasteful and inefficient. It will bring about, by peaceful means, marked improvement in the condition of Labor. It will make the workers partners with their employers, with great benefit to both. It will put business and industrial effort of every kind on a rational and human basis where co-operation will be the rule instead of the exception; where even the toiler will have his incentives and his rewards and where life, liberty and the pursuit of happiness will be within the reach of all.

To secure, therefore, the extension of profit sharing undertakings is the work we must take up. We must not minimize the difficulties in the way. Capital has not yet grasped the idea that property is a trust; has not yet learned that its custodianship has been weighed and found wanting; has no thought of the wrongs that have been committed in its name; has no desire to measure up to higher standards. It has been so long intent on preserving property rights it hasn't yet heard the cry of human rights.

But that should only make us work the harder. There was never anything worth having that did not have to be fought for. Although on the employers' side, we must espouse the cause of Labor. If we do this we shall set in motion agencies that will, in time, check the existing antagonisms, diminish poverty and crime, assure healthier and happier lives for the workers, with equal opportunity for all. The results will transcend our greatest expectations, for we shall bring into the lives of those who are oppressed a sweetness and a freshness they have never known and shall, ourselves, derive that intense spiritual enjoyment which always comes from disinterested effort in a worthy cause.

conditions that may result in anarchy, syndicalism or social revolution.

Profit Sharing, particularly when combined with labor co-partnership, points the way to a state of industrial development alongside of which our present methods will seem wasteful and inefficient. It will bring about, by peaceful means, marked improvement in the condition of Labor. It will make the workers partners with their employers, with great benefit to both. It will put business and industrial effort of every kind on a rational and human basis where co-operation will be the rule instead of the exception; where even the toiler will have his incentives and his rewards and where life, liberty and the pursuit of happiness will be within the reach of all.

To secure, therefore, the extension of profit sharing undertakings is the work we must take up. We must not minimize the difficulties in the way. Capital has not yet grasped the idea that property is a trust; has not yet learned that its custodianship has been weighed and found wanting; has no thought of the wrongs that have been committed in its name; has no desire to measure up to higher standards. It has been so long intent on preserving property rights it hasn't yet heard the cry of human rights.

But that should only make us work the harder. There was never anything worth having that did not have to be fought for. Although on the employers' side, we must espouse the cause of Labor. If we do this we shall set in motion agencies that will, in time, check the existing antagonisms, diminish poverty and crime, assure healthier and happier lives for the workers, with equal opportunity for all. The results will transcend our greatest expectations, for we shall bring into the lives of those who are oppressed a sweetness and a freshness they have never known and shall, ourselves, derive that intense spiritual enjoyment which always comes from disinterested effort in a worthy cause.

END OF
TITLE